

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 L-03 H-02

PA-01 PRS-01 USIA-06 /078 W

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R 201836Z JUN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0594

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA

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DEPARTMENT PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: EAGR EEC FR

SUBJECT: COGNAC

REFS: PARIS 15667, EC BRUSSELS 05463.

1. SUMMARY: EMBASSY BELIEVES U.S. SHOULD AGREE TO DISCUSS PRICE BREAK ON COGNAC WITH GOF IN WASHINGTON WITHOUT ANY COMMITMENT AS TO THE RESULT. WE ALSO BELIEVE WE SHOULD AVOID FORMAL LINKAGE OF THIS QUESTION WITH OTHER AGRICULTURAL TRADE PROBLEMS. INSOFAR AS THIS IS NOT POSSIBLE, AND IF WE ARE PREPARED TO CHANGE THE PRICE BREAK, THEN WE HAVE THREE CHOICES, (A) TO VIEW PROBLEM IN EC CONTEXT, (B) TO KEEP IT IN A BILATERAL CONTEXT AND TRY TO STRIKE A BALANCE ON OUTSTANDING PROBLEMS, OR (C) TO ASK FOR SOMETHING NEW FROM FRENCH. END SUMMARY.

2. EMBASSY RECOMMENDS THAT WE AGREE TO RECONSIDER
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PRICE BREAK FOR COGNAC AS REQUESTED BY GOF. WE SHOULD

NOT IMPLY ANY COMMITMENT TO RAISE THE LEVEL OF THE BREAK. WE SHOULD SAY ONLY THAT WE WILL GIVE GOF ADEQUATE OPPORTUNITY TO PRESENT ITS CASE. WE ALSO THINK THIS WOULD BEST BE DONE IN WASHINGTON SINCE TRADE DATA AND CUSTOMS INFORMATION ARE READILY AVAILABLE THERE AND FRANCE IS DEMANDEUR IN THIS MATTER.

3. GOF RAISED QUESTION OF LINKAGE WITH OTHER AGRICULTURAL QUESTIONS, THUS IMPLYING A WILLINGNESS TO PAY. WE SHOULD PROBABLY NOT READ TOO MUCH INTO THIS, SINCE WHAT FRENCH ARE ASKING IS A "RESTORATION" OF THE RELIEF WE OFFERED ON COGNAC FOR A TWO-YEAR PERIOD. THE FRENCH REQUEST IS NOT FOR A "NEW" CONCESSION BUT FOR MAINTAINING THE VALUE OF OUR ACTION OF LAST YEAR, ADMITTEDLY A UNILATERAL ONE. SINCE WE SAID WE WERE PREPARED TO REVIEW THE MATTER IN DECEMBER, WE OUGHT TO BE WILLING TO DO SO NOW EVEN THOUGH GOF HAS DELAYED RAISING THE QUESTION UNTIL JUNE.

4. SHOULD WE FEEL WE CAN MODIFY THE PRICE BREAK AND THAT THERE SHOULD BE A QUID PRO QUO IN THE EC CONTEXT, WE CAN LOOK AT TURKEY PARTS. WE BELIEVE THIS PROBLEM SHOULD BE KEPT SEPARATE FROM COGNAC AS INDICATED IN STATE 121160, AND THE EMBASSY RECOGNIZES THE DUTCH POTATO STARCH-CHICKEN WAR LINK MENTIONED BY AMBASSADOR GREENWALD IN EC BRUSSELS 5463. MIDDLE GRADE GOF OFFICIALS TELL US GOF IS READY TO SUPPORT OUR REQUEST TO THE EC ON TURKEY. WE ARE SKEPTICAL, BUT THIS POINT CAN BE TESTED IN BRUSSELS.

5. IT SEEMS CLEAR TO US THAT IN THE FRENCH BUREAUCRATIC MIND THERE IS A LINK BETWEEN COGNAC AND CANNED FRUIT WHICH DID NOT PREVIOUSLY EXIST. HAVING AGREED TO ELIMINATE QRS ON C GROUP OF PRODUCTS IN THIS CATE-

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0595

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GORY AS OF JANUARY 1, 1975 GOF HAS FOUND IT DIFFICULT TO CARRY OUT AN AGREEMENT WHICH WOULD REQUIRE EITHER DISCRIMINATION IN FAVOR OF U.S. PRODUCTS OR COMPLETE LIBERALIZATION. THE LATTER GOF CLEARLY POLITICALLY UNABLE TO ACCOMPLISH. BUREAUCRATIC DELAYS ARE RELATED TO PRESSURE FROM FRENCH PROCESSORS ON MINISTRY OF AGRICULTURE. UNDER BEST OF CIRCUMSTANCES IT WILL BE DIFFICULT TO WORK OUT THIS PROBLEM, AND WE DOUBT GOF COULD DELIVER TO OUR COMPLETE SATISFACTION ON CANNED FRUIT, EVEN IF WE DID "SOMETHING" ON COGNAC. IN ANY EVENT GOF OWES US IMPLEMENTATION OF OUR AGREEMENT ON FRUIT.

6. A THIRD POSSIBILITY WAS DISCUSSED JUNE 20 WITH ALAIN CHEVALIER, DIRECTOR OF MOET-HENNESSEY. CHEVALIER IS PREPARED TO EXPLORE WITH AMERICAN WINE INSTITUTE WHETHER IT WOULD BE POSSIBLE TO MAKE A CONCESSION FOR AMERICAN WINE. HE WILL BE SENDING US HIS IDEAS ON THIS SUBJECT. EMBASSY ASSUMES, HOWEVER, THAT IF U.S. LIMITED OFFICIAL USE

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EVENTUALLY HAS ANY REQUESTS TO MAKE IN THIS AREA, THEY WOULD HAVE TO BE MADE TO THE EC.

7. ABOVE REPRESENTS OUTLINES OF CASE AS WE SEE IT DEVELOPING. NONE OF THE OPTIONS SEEM SATISFACTORY TO US. LINKING, BUT NOT LINKING, MAY BE THE BEST APPROACH.
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